



BASE METALS AND MINERALS

## Copper Industry – M&A Activities Continue to Gather Momentum; Increasing Target Prices

The continued M&A activities highlighted by the recent Central African Mining & Exploration Company's (Camec, CFM-LSE) all-share bid for Katanga Mining Ltd. (KAT-TSX) prompts us to review the valuation and target prices of copper companies in our research coverage (Figure 1).

**Figure 1: Target Price Revision**

Coverage Universe	Current Price (C\$)	Recommendation	NAV/Old Target (C\$)	NAV Multiple	New Target (C\$)	Projected Return
Augusta Resources Corp.	\$3.24	BUY	\$4.20	1.10x	<b>\$4.60</b>	42.0%
Chariot Resources Corp.	\$1.23	BUY	\$1.45	1.20x	<b>\$1.75</b>	42.3%
Equinox Mineral Ltd.	\$4.05	BUY	\$4.05	1.30x	<b>\$5.25</b>	29.6%
Katanga Mining Ltd.	\$23.51	Spec. BUY (from HOLD)	\$20.30	1.25x	<b>\$25.35</b>	7.8%
Mercator Minerals Ltd.	\$8.22	BUY	\$11.35	1.10x	<b>\$12.50</b>	52.1%
Teal Exploration and Mining Inc.	\$5.33	BUY	\$9.75	1.00x	<b>\$9.75</b>	82.9%

Source: Blackmont Capital Inc.

**Augusta Resources Corp. (AZC-TSX – BUY; Target Price: \$4.60):** We are increasing our target price to \$4.60 from \$4.20 per share. The new target price is based on 1.1 times NAV (previously 1.0 times). We have assigned a relatively low premium at this stage, as mining permits have still to be granted. We expect that Augusta will successfully get its permit around mid 2008, at which time the company would likely enjoy an immediate re-rating to 1.4 times NAV, as it is a prime takeover candidate. We maintain our BUY recommendation.

**Chariot Resources Corp. (CHD-TSX – BUY; Target Price: \$1.75):** We are increasing our target price to \$1.75 from \$1.45 per share. The new target price is based on 1.2 times NAV (previously 1.0 times). We believe that Lundin Mining (LUN-TSX) is likely to acquire Chariot once it completes its Rio Narcea acquisition (Rio Narcea owns 20% of Chariot) and the Chariot feasibility study is released in Q3/07. The lower premium reflects Lundin's expected 20% stake deterring other suitors. We maintain our BUY recommendation.

**Equinox Minerals Ltd. (EQN-TSX – BUY; Target Price: \$5.25):** We are increasing our target price to \$5.25 from \$4.05 per share. The new target price is based on 1.3 times NAV (previously 1.0 times). The RLE upgrade to recover acid and cobalt significantly adds to the attractiveness of Equinox's Lumwana deposit. We maintain our BUY recommendation.

**Katanga Minerals Ltd. (KAT-TSX – Speculative BUY; Target Price: \$25.35):** We are increasing our target price to \$25.35 from \$20.30 per share. The new target price is based on 1.25 times NAV (previously 1.0 times). The large insider shareholdings are a significant concern to us, and may lead to a sub-optimal takeover; hence, the

See important disclosure statements at the end of this report.

### Base Metals & Minerals

George Topping  
gtopping@blackmont.com, 416.865.2158  
Kevin Shi, Associate  
kshi@blackmont.com, 416.864.3584

## BASE METALS AND MINERALS

---

Speculative BUY recommendation. Nonetheless, the company is now in play and has an outstanding copper deposit. **We are upgrading our recommendation to Speculative BUY from HOLD.**

**Mercator Minerals Ltd. (ML-TSX - BUY; Target Price: \$12.50):** We are increasing our target price to \$12.50 from \$11.35 per share. The new target price is based on 1.1 times NAV (previously 1.0 times). The lower multiple is warranted at this stage, as most potential acquiring companies have not embraced the positive outlook for molybdenum. We maintain our BUY recommendation.

**Teal Exploration and Mining Inc. (TL-TSX - BUY; Target Price: \$9.75):** We are maintaining our BUY recommendation and target price of \$9.75 per share. African Rainbow Mineral's 65% stake currently precludes a takeover.

## BASE METALS AND MINERALS

### Blackmont Research Disclosure

Company	Ticker	Disclosure	Distribution of Research Ratings (# of Stocks)	
Augusta Resources	AZC-TSX	-	BUY	89 53.3%
Chariot Resources Ltd	CHD-TSX	3, 12	Speculative BUY	20 12.0%
Equinox Minerals Ltd	EQN-TSX	-	HOLD	45 26.9%
Katanga Mining Limited	KAT-TSX	-	SELL	6 3.6%
Mercator Minerals Ltd	ML-TSX	12	Other	7 4.2%
Teal Exploration & Mining	TL-TSX	-	Total	167 100.0%
George Topping visited Chariot Resources Ltd's Marcona Project in Peru for site visit within the past 12 months. The cost of the visit(s) was compensated in part by the company.			<b>Investment Banking Services Provided*</b>	
George Topping visited Mercator Minerals Ltd's Mineral Park Mine for site visit within the past 12 months. The cost of the visit(s) was not compensated by the company.			BUY	19.1%
			Speculative BUY	45.0%
			HOLD	15.6%
			SELL	16.7%

\*Percentage of subject issuers within each of the research ratings for which Blackmont Capital Corp. has provided investment banking services within 12 months.

### Disclosure List

1. Within the last 12 months, Blackmont or its affiliates have managed or co-managed an offering of securities by the subject issuer.
2. Within the last 12 months, Blackmont or its affiliates have received compensation for investment banking and related services from the subject issuer.
3. The research analyst(s) or a member of the research analyst's(s') household has a long position in the shares and/or the options of the subject issuer.
4. The research analyst(s) or a member of the research analyst's(s') household has a short position in the shares and/or the options of the subject issuer.
5. Blackmont or its affiliates is a market maker, or is associated with the specialist that makes a market in the securities of the subject issuer.
6. Blackmont or its affiliates collectively beneficially own 1% or more of any class of the issuer's equity securities.
7. Blackmont has a conflict of interest with the subject issuer.
8. The research analyst(s) has a conflict of interest with the subject issuer.
9. Over the last 12 months, the research analyst(s) has received compensation based on a specific investment banking transaction relative to the subject issuer.
10. The research analyst(s) or a member of the research analyst's(s') household who prepared this research report serves as a Director or Officer or Advisory Board Member of the subject issuer.
11. An employee, officer, or director of Blackmont is a member of the Board of Directors or an advisor or an officer of the subject issuer.
12. The research analyst(s) has visited a site of the subject issuer. The analyst's(s') costs were compensated by the subject issuer (a) in full, (b) in part, or (c) not at all.

### Rating Guidelines

- BUY:** The stock's total return is expected to exceed a minimum of 15% over the next 12 months.
- Speculative BUY:** The stock's total return is expected to exceed 30% to 40% over the next 12 months. However, there exists a very high and unquantifiable risk in either the corporate or industry fundamentals associated with the investment that could result in a significant loss.
- HOLD:** The stock's total return is expected to be between 0% and 15% over the next 12 months.
- SELL:** The stock's total return is expected to be negative over the next 12 months.
- Under Review:** The stock's rating is under review for 48 hours for either an upgrade or downgrade.

## BASE METALS AND MINERALS

### Analyst Certification

Each analyst of Blackmont Capital Inc. whose name appears in this research report hereby certifies that (i) the recommendations and opinions expressed in the research report accurately reflect the research analyst's personal views about any and all of the securities or issuers discussed herein that are within the analyst's coverage universe and (ii) no part of the research analyst's compensation was, is, or will be, direct or indirectly related to the provision of specific recommendations or view expressed by the research analyst in the research report.

### Distribution Policy

There are four types of documents delivered through the Internet by the Research Department:

**Flash:** 1/2 page in length; a preliminary but nearly immediate (within 15-30 minutes) intra-day view of a corporate or industry event

**Morning Advantage:** the daily morning commentary discussing an event or a material change at a company, a change in an investment stance, or a shift in industry dynamics; a 1/2 page note per company is posted daily on our Internet site by 8:45am

**ViewPoint:** a detailed analysis of material events published on an intra-day basis ranging in length between 2 and 10 pages

**Company Reports:** offer comprehensive assessments of industry and corporate fundamentals and are also published in hard copy

Research is delivered through regular mail, e-mail and our website.

### Disclaimer

This report has been prepared by Blackmont Capital Inc. (BCI).

Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information contained herein is for information purposes only and this report is not, and is not to be construed as, an offer to sell or a solicitation of an offer to buy any securities. The information and opinions contained herein have been compiled or derived from sources believed reliable, but no representation or warranty, expressed or implied, is made as to their accuracy or completeness. Neither BCI nor its affiliates accepts any liability whatsoever for any loss arising from any use of this report or its contents.

BCI and/or its affiliates may have acted as financial adviser and/or underwriter for certain of the issuers mentioned herein and may have received remuneration for such services. BCI, its affiliates and/or other respective officers, directors and employees may from time to time acquire, hold or sell positions in the securities mentioned herein as principal or agent.

**To US Residents:** Blackmont Capital Corp., an affiliate of Blackmont Capital Inc., accepts responsibility for the contents hereof, subject to the terms as set out above. Any US person effecting transactions in any security discussed herein should do so through Blackmont Capital Corp.

© 2007. Blackmont Capital Inc. Member CIPF and IDA.